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INSIGHTS

TRUMP ACCOUNTS: SUPPORTING A CHILD’S FINANCIAL FUTURE

The One Big Beautiful Bill Act created 530A accounts, commonly referred to as “Trump Accounts.” How do these new savings options for children work, and how do they fit into overall financial plans?

For many parents and guardians, the goal of saving, investing, and planning is to ensure the financial security of their family. Alongside the day-to-day costs associated with raising children, parents must prepare for large expenses such as childcare, healthcare, and education, as well as ensuring the children are protected in case of an unforeseen event. With proper planning, parents can not only manage the costs of raising and protecting children but also set them up for future financial success by utilizing different savings opportunities.

The number of ways to save for children has expanded with the creation of 530A accounts by last year’s One Big Beautiful Bill Act, which are commonly referred to as “Trump Accounts.” These savings vehicles provide families with more ways to build wealth across generations but require consideration for how they are prioritized and interact as part of a holistic financial plan.

Trump Accounts Are the Newest Planning Tool for Children

The goal of these accounts is to give children a head start toward retirement savings in a tax-efficient manner, along with a government-funded contribution. According to the Treasury Department, six million children are already signed up for Trump Accounts, with 1.4 million eligible for the $1,000 pilot program contribution. As with any new investment vehicle, it’s important to first understand the rules before considering how it can be used to support a child’s financial future. Some key criteria for evaluating 530A accounts are:

- Children qualify if they are U.S. citizens and born between January 1, 2025 and December 31, 2028.
- There are no earned income requirements to make contributions for a child.
- Investment options are simplified and currently include low-cost, U.S. equity index funds.
- Funds are unavailable for withdrawals until the child turns 18. Withdrawals after 18 are subject to general IRA rules with 10% penalties for early withdrawals that don’t meet a qualifying reason.
- Contributions from individuals and employers are allowed up to an aggregate $5,000 per year, with employers able to contribute up to $2,500 per year without that amount counting as taxable income for the employee.

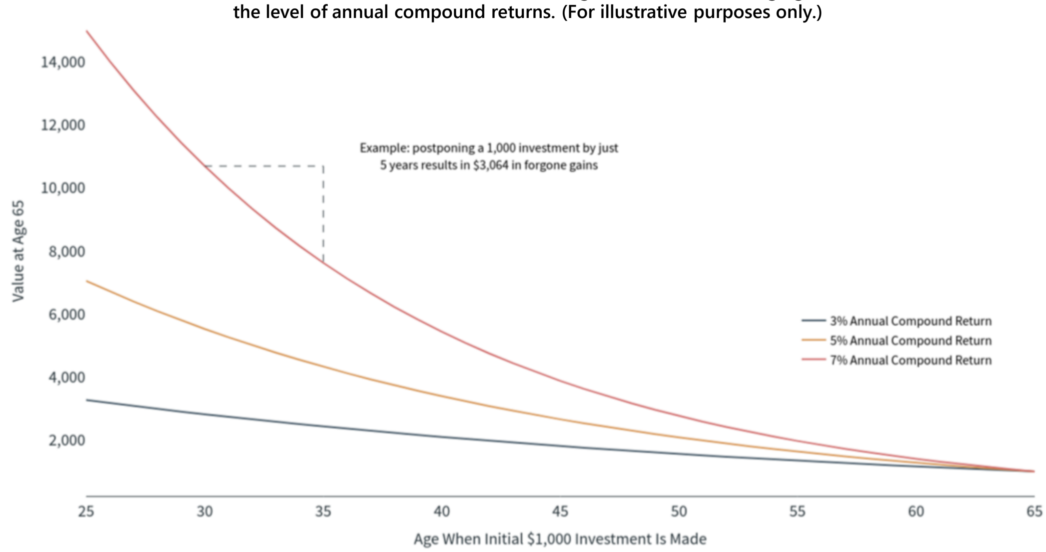
It’s helpful to think of 530A accounts as vehicles that complement, rather than substitute, other savings options.

Key Investment Tools When Planning for Children

According to data from Congress, the number of children with savings accounts rose from 1.2 million in 2021 to 5.8 million in 2023. The chart below shows the impact of saving even just a few years earlier.

The Importance of Saving Early

The value of an initial $1,000 investment at age 65 based on starting age and the level of annual compound returns. (For illustrative purposes only.)



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There are multiple ways to save for your children's future, depending on circumstances, goals, and liquidity needs. These include 529 accounts, custodial Roth IRAs, Uniform Gifts to Minors Act (UGMA) and Uniform Transfers to Minor Act (UTMA) accounts, all of which have different rules for contributions, withdrawals, and taxation considerations. Some important features of these accounts include:

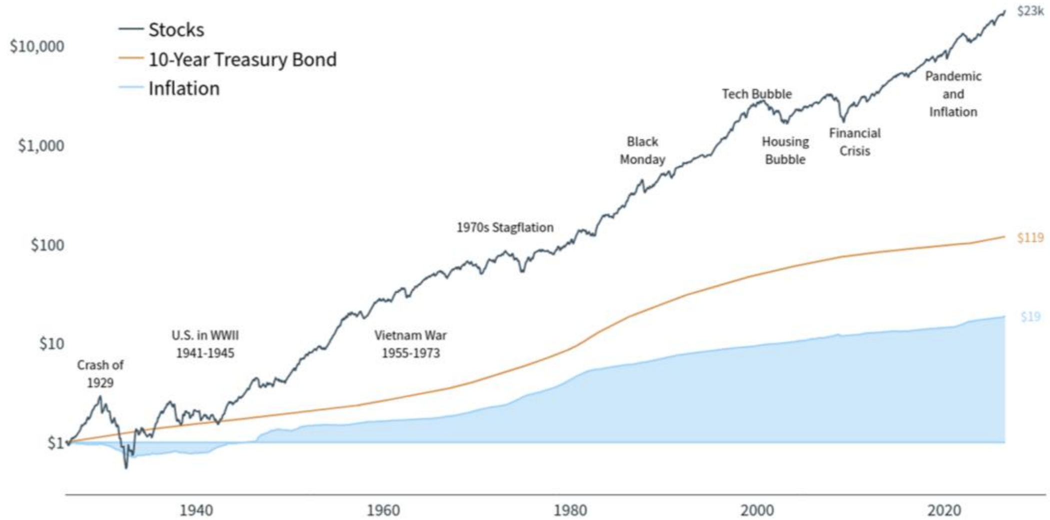
- **529 Plans:** Typically opened by a parent or grandparent and is focused on saving for future education expenses. Contributions are after-tax, and withdrawals are federally tax-free when used for qualified education expenses. There are no limits to contributions, but they are subject to annual gifting limits.
- **Custodial Roth IRA:** These accounts are held in the minor's name and geared toward retirement savings. Contributions are after-tax, and withdrawals are tax-free if conditions are met. One key difference, particularly with Trump Accounts, is that earned income is required to make contributions and the annual limit is $7,500 in 2026.
- **UGMA/UTMA accounts:** These accounts are owned by the minor but managed by an adult custodian until the child reaches legal age. No earned income is required, and contributions are after-tax and are subject to annual gifting limits.

The Importance of Compound Growth and Market Returns

Historically, even a relatively small amount invested at birth can benefit from compound interest over a long time horizon. This is why one of the key principles of investing is to start as soon as possible to give your money time to grow. The accompanying chart shows the history of compound growth of $1 when invested in stocks and bonds over a long-term period.

Growth of $1 Since 1926

S&P Composite total returns, 10-Year Treasury bond, and inflation (log scale).
Historical estimates for illustrative purposes only.



Sources: Clearnomics, Robert Shiller, Standard & Poor's, BLS. Latest data point is June 2026.

Teaching children about the importance of saving money and investing early can help them become more financially responsible when they get older. Helping them further with these savings and investment accounts early, as part of a holistic financial plan, allows them to benefit from compound growth later in life.

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